



# PRESS RELEASE

## Internal Revenue Service - Criminal Investigation Newark Field Office *Special Agent in Charge Jonathan D. Larsen*

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### **IRS CAUTIONS NEW JERSEY RESIDENTS THIS FILING SEASON**

**Springfield, New Jersey** – Internal Revenue Service –Criminal Investigation Special Agent in Charge of the Newark Field Office, Jonathan D. Larsen, would like to caution everyone when selecting a return preparer. Larsen stated, “Knowingly falsifying documents filed with the IRS is a crime. Dishonest return preparers use a variety of methods to cheat the government. It is your responsibility to know what is on your income tax return. You are ultimately responsible for what gets filed with the IRS.”

Return preparer fraud involves the preparation and filing of false income tax returns by preparers who claim inflated personal or business expenses, false deductions, unallowable credits or excessive exemptions on returns prepared for their clients. However, when the IRS detects a fraudulent return, the taxpayer – not the return preparer – must pay the additional taxes and interest and may be subject to penalties.

During this tax filing season, don't panic and make a rush decision on who you decide to use to prepare your returns. Most return preparers are professional, honest and provide excellent service to their clients. Special Agent in Charge Larsen offers the following helpful hints when choosing a return preparer:

- Be cautious of tax preparers who claim they can obtain larger refunds than other preparers.
- Avoid preparers who base their fee on a percentage of the refund.
- Never sign a blank tax return.

- Use a reputable tax professional who signs their tax return and provides you with a copy. In addition, make sure the preparer includes their Preparer Tax Identification Number (PTIN) as required by law.
- Consider whether the individual or firm will be around to answer questions about the preparation of the tax return months, or even years, after the return has been filed.
- Check the preparer's credentials. Only attorneys, certified public accountants (CPAs) and enrolled agents can represent taxpayers before the IRS in all matters, including audits, collection and appeals. Other return preparers may only represent taxpayers for audits of returns they actually prepared.
- Find out if the preparer is affiliated with a professional organization that provides its members with continuing education and resources and holds them to a code of ethics.
- Ask friends and family members whether they know anyone who has used the tax professional and whether they were satisfied with the service they received.

Here are recent statistics on return preparer fraud from IRS-Criminal Investigation.

|                                    | FY 2014 | FY 2013 | FY 2012 |
|------------------------------------|---------|---------|---------|
| <b>Investigations Initiated</b>    | 305     | 309     | 443     |
| <b>Prosecution Recommendations</b> | 261     | 281     | 276     |
| <b>Indictments/Informations</b>    | 230     | 233     | 202     |
| <b>Convictions</b>                 | 193     | 207     | 178     |
| <b>Sentenced</b>                   | 183     | 186     | 172     |
| <b>Incarceration Rate*</b>         | 86.3%   | 78.0%   | 84.3%   |
| <b>Average Months to Serve</b>     | 28      | 27      | 29      |

\*Incarceration includes confinement to federal prison, halfway house, home detention, or some combination thereof.

Data Source: Criminal Investigation Management Information System

Here are some recent return preparer investigations conducted by the Newark Field Office.

## **OCEAN COUNTY TAX PREPARER SENTENCED TO 24 MONTHS IN PRISON FOR PREPARING FRAUDULENT TAX RETURNS FOR CLIENTS**

**Sharif Mahfouz**, the owner of Expat Focus Consulting (EFC), located in Brick, N.J., was sentenced to 24 months in prison for willfully preparing false tax returns for clients. U.S. District Judge Joel A. Pisano also ordered Mahfouz, 50, a resident of Brick, N.J., to serve one year of supervised release and pay restitution to the Internal Revenue Service in the amount of \$1,152,253. Mahfouz was the sole owner and operator of Expat Focus Consulting, a tax preparation business that he operated out of his personal residence. EFC clients were primarily expatriated individuals. These individuals

provided Mahfouz with their financial information so he could prepare their individual income tax returns. For the tax years 2007 through 2012, Mahfouz admitted that he prepared false tax returns for certain clients by reporting either fabricated or inflated foreign earned income exclusion amounts and foreign tax credits. By falsifying this information, Mahfouz was able to obtain tax refunds for his clients greater than those they were lawfully entitled to receive. Mahfouz did not tell his clients these refunds were being generated and kept the refunds for his own personal use.

## **ESSEX COUNTY, NEW JERSEY, TAX RETURN PREPARER SENTENCED TO 57 MONTHS IN PRISON FOR FILING TAX RETURNS USING A DEAD PERSON'S IDENTITY**

**Todd Halpern**, an Essex County, New Jersey, tax return preparer was sentenced to 57 months in prison for filing false claims with the IRS using a dead tax return preparer's identification and preparing false documents for numerous fraudulent loans. In late 2008, Halpern purchased A & V Financial (A & V), a tax return preparation business located in Guttenberg, New Jersey, from the wife of the prior owner, identified only as "V.R.," who had died in March 2008. Halpern received the company's computers and all of its client records. As part of the agreement to purchase A & V, Halpern was to obtain a new Electronic Filing Identification Number (EFIN) in his own name. Instead, he continued to file tax returns using V.R.'s EFIN number because Halpern's criminal record prevented him from obtaining an EFIN.

From 2009 through 2010, Halpern prepared and filed 657 fraudulent federal income tax returns with the IRS using V.R.'s EFIN. Halpern prepared and filed some of these fraudulent tax returns without the knowledge and authorization of the taxpayers identified on the returns. Some of these tax returns contained fraudulent income and deduction amounts, which generated fraudulent refunds that were directly deposited into Halpern's bank account.

Halpern received a total of \$373,938 in fraudulent tax refunds. He used these funds to support his lavish lifestyle, including purchases at Prada, Chanel, Saks Fifth Avenue, and Bloomingdales, to acquire season tickets to the New York Giants, to purchase thousands of dollars in jewelry, gold coins, and silver certificates, to make car payments on multiple luxury vehicles, including a 2007 Cadillac Escalade and a 2008 Lexus GX-470, and to buy parts for his classic 1957 Chevy Bel Air.

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